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12 June 1958

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# CENTRAL INTELLIGENCE BULLETIN



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## CENTRAL INTELLIGENCE BULLETIN

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## DAILY BRIEF

## I. THE COMMUNIST BLOC

*No*

Soviet summit tactics: Soviet officials have used the line in private conversations with Westerners that the stiffening of the Soviet attitude in Eastern Europe reflects the influence of a "Stalinist faction," which is also obstructing Khrushchev's summit conference policies. This line is probably designed to soften the West's approach to summit negotiations by encouraging the belief that there is a flexible group in the Kremlin headed by Khrushchev with whom fruitful negotiations can be conducted.

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*yes*

Soviet nuclear power program: The USSR will probably rank first in the world in installed nuclear-power plant capacity by the end of 1960, with an installed capacity in stations designed for power production of about 700 electrical megawatts, plus at least 200 electrical megawatts derived from plutonium production reactors. As a result of difficulties in carrying out its nuclear-power program, the USSR will probably be able to complete only one third to one half of its originally announced goal by the end of 1960.

*yes*

Communist China - Japan: Communist China is refusing to extend the private Sino-Japanese fishing agreement in further efforts to force Tokyo to take the first steps toward recognition of the Peiping regime.

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## II. ASIA-AFRICA

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Lebanon: Opposition elements are likely to make a special effort to improve their position before the UN observation team begins to function. There appears to be no political solution in sight. In the military situation, government forces are trying to parry rebel attacks directed against the Beirut-Damascus highway, which, if successful, would cut the main supply route from the coast to eastern Lebanon.

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*yes*  
Lebanese economic crisis: The cumulative effects of the present crisis are beginning to take their toll of Lebanon's merchant economy. The flight of capital in recent weeks--estimated to be over \$50,000,000--has reduced the liquidity of local banks to dangerous levels.

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*no*  
Okinawa: A delegation of Okinawan leaders who are to begin negotiations with American officials in Washington on 25 June over the issue of payment for expropriated land are strongly opposed to lump-sum payments. The delegation believes that if Okinawan proposals for renegotiable annual rentals rather than a single payment for a long-term lease are disregarded, a severely adverse reaction will develop in the Ryukyus. The Japanese Government strongly supports the Okinawan position.

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Cyprus: Athens' appeal to NATO over Turkish-inspired violence on Cyprus is regarded by the Greek people as a real test of the solidarity of the Western alliance system. On Cyprus, EOKA is organizing locally to combat further

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Turkish forays. Turkish Cypriots, who claim that civil war has already begun, have appealed to Ankara to take "requisite steps" to prevent a Turkish massacre.

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## I. THE COMMUNIST BLOC

### Alleged Kremlin Factionalism Used as Summit Gambit

Soviet officials have recently begun to develop the line in private conversations with Westerners that the stiffening of the Soviet attitude toward Eastern Europe reflects the influence of a Stalinist group in the Soviet leadership. [redacted]

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[redacted]  
this group has also sought to obstruct Khrushchev's efforts to arrange a summit meeting by foot-dragging on conference preparations.

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[redacted]  
A Soviet Foreign Ministry official in Moscow recently echoed this line when he told a Western diplomat that summit preparations might be delayed somewhat due to a difference of opinion within the Soviet Government.

This argument is probably designed to soften the West's approach to the summit by encouraging the belief that the best results can be obtained from negotiations with Khrushchev and his "flexible group" in the Kremlin. [redacted]

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### Soviet Nuclear Electric Power Program Delayed

Although the Soviet Five-Year Plan (1956-1960) called for the construction of nuclear power stations with an installed capacity of 2,000-2,500 electrical megawatts (EMW) by the end of 1960, present indications are that the installed capacity of stations designed for power production will not exceed 700 EMW by that time.

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This decrease in the amount of nuclear generating capacity to be installed through 1960 indicates that the USSR was overly optimistic with regard to its ability to solve quickly the technical problems associated with the construction of large-scale power reactors. V. S. Yemelyanov, head of the Chief Directorate for the Utilization of Atomic Energy, recently told a visiting Western nuclear scientist that the delays have been caused, not by basic scientific problems, but by problems such as difficulties in fabricating tubes of stainless steel with welds which would not corrode under severe operating conditions. Similar problems are also being encountered in the US.

Despite the delay in execution of its program, however, the USSR will probably be in first place among the nations of the world by the end of 1960 in terms of nuclear power plant capacity.

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Peiping Refuses to Renew Sino-Japanese Fishing Agreement

Communist China, as part of its effort to force Tokyo to take steps toward recognition of the Peiping regime, has announced that its agreement with Japanese fishing interests will not be extended after the expiration date--12 June. The Chinese say their action was caused by Japanese Prime Minister Kishi's "unfriendly" policy toward Peiping and his government's attempt "to create two Chinas." Peiping's action foreshadows further Chinese harassment and seizure of Japanese fishing vessels off the mainland coast.

Japanese fishery interests already have urged the government to ease its stand against Peiping, and the American Embassy in Tokyo reports that the economic situation of medium and small Japanese firms that are dependent on trade with the China mainland is becoming desperate. As long as the economic recession in Japan continues, segments of large industry as well as elements in conservative political ranks are expected to press for resumption of trade relations with Communist China.

The Japanese Foreign Ministry, according to a major Tokyo newspaper, is considering steps short of recognition, such as fishery, postal, and sea rescue agreements, during the period in which the government and ruling Liberal-Democratic party are deciding on how far they dare go in effecting a general rapprochement with Peiping.

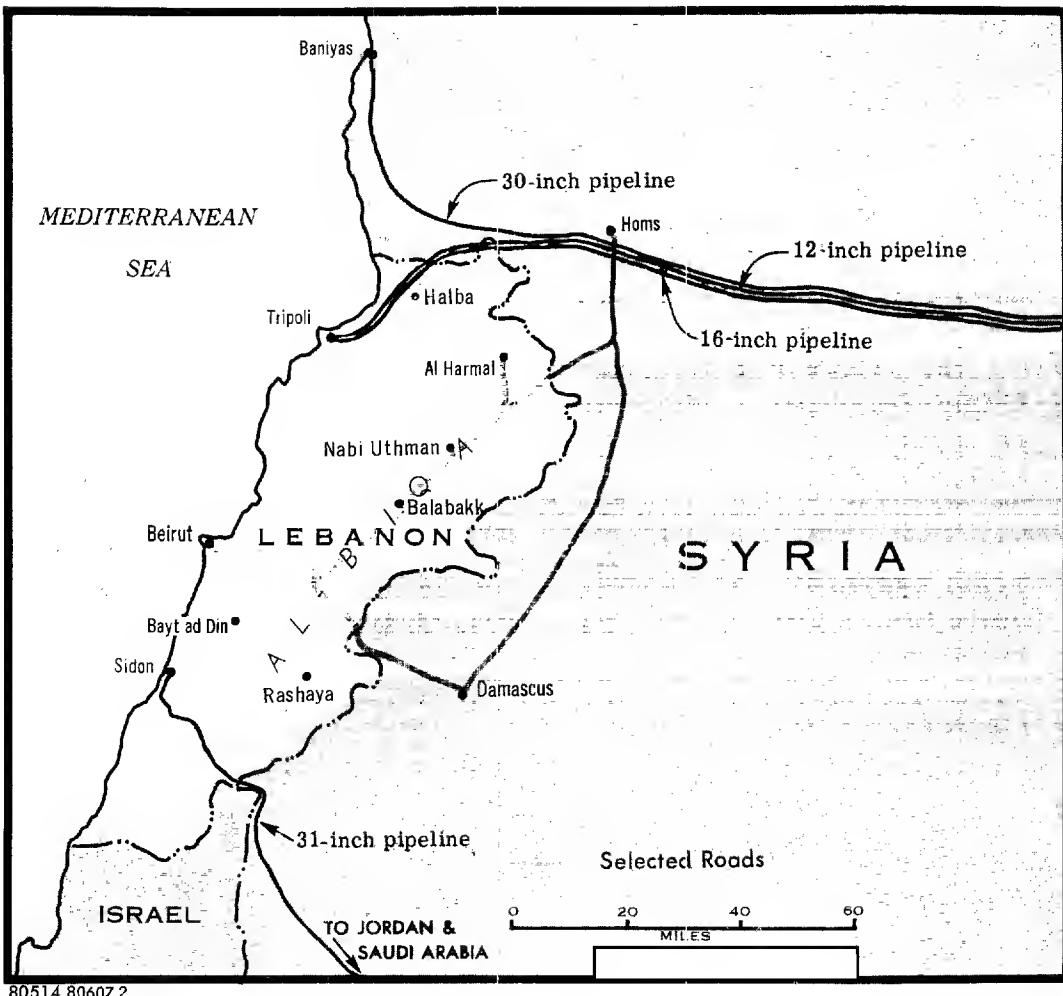
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## II. ASIA-AFRICA

Lebanese Situation

The antigovernment opposition, faced with the prospect of a United Nations "watchdog" team which may arrive in Lebanon as early as 12 June, seems likely to step up efforts to win a quick victory over the Chamoun government. Just prior to the UN move--voted on 11 June--opposition leaders had been giving increased publicity to the possibility of setting up a "Free Lebanon Government."

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Political lines between the opposition and government have become so rigid that more and more Lebanese are concluding that it is beyond Lebanese capabilities to find a solution to the impasse. They feel that the only hope is outside military or political intervention. The state of increasing anarchy in the countryside, as well as the terrorism in the cities, buttresses this state of mind. Some influential persons believe that a dismemberment of the country is the only solution--with the Tripoli area being attached to the UAR.

The rebels meanwhile appear to have made some significant military gains. Rebel Druze forces have moved toward their objective of cutting the Beirut-Damascus road and isolating the capital. Other rebel bands are reported in the area just east and southeast of Beirut; one target of these bands may be Beirut International Airport, where additional security measures have been taken. Air action against these rebel concentrations has been hampered by weather conditions. Heavy fighting has also occurred in Tripoli, where

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army tanks were attacked by rebels with grenades. However, the government has reduced the Tripoli citadel, a rebel strongpoint.

Reports persist that a group of army officers who are pushing General Shihab for the presidency are looking for an opportunity to stage a coup. If the military situation is still deteriorating by 13 or 14 June, these officers are said to intend to call on Chamoun in the name of the army to resign in favor of the general.

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Lebanon's Economy Dangerously Shaky

Lebanon's merchant economy, built on supplying goods and services to neighboring countries, is beginning to feel the cumulative effects of the current political strife which has closed normal trade channels. The flight of capital--largely to Zurich--apparently has already reached about \$50,000,000, and, with the total liquidity of the Beirut area estimated to be only about \$70,000,000, this has resulted in critical capital shortages in local banks. Only the willingness of the banks themselves to avoid calling loans and pressing for repayment has avoided a crisis thus far.

Factories in the Beirut area generally have been kept in operation despite mounting inventories. However, employers who have been paying idle and near-idle workers as a means of keeping them from joining street mobs reportedly will cease these payments within one or two weeks. In Sidon and Tripoli, factories and shops are almost completely closed.

The Port of Beirut, keystone to the country's economy, reportedly can receive cargo at the present rate only until the end of June when currently available warehouse space will have been completely filled. As a result of the disorders, much of the transit shipment of goods to Syria, Jordan, and Iraq has ceased. Lebanon's Finance Minister Pierre Edde believes he may have to recommend limiting imports within two or three weeks.

Lebanon's wheat shortage is becoming increasingly serious. Extensive disorders in the Biqa Valley--source of about 70 percent of the country's wheat production--and loss of Syria as a source of supply have increased the need for extraordinary imports. Government authorities estimate that between 60,000 and 80,000 persons have been seriously affected by crop failures.

Unless Lebanon's economy returns to near-normal conditions within the next few weeks, it will be difficult to avoid a breakdown in the country's financial structure.

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### Okinawans Oppose Single Payments for Land

A Ryukyuan Government delegation will begin negotiations in Washington on 25 June on the controversial issue of lump-sum payments for land acquired by US forces. The Ryukyuans believe that accepting a lump-sum payment would entail a complete surrender of their proprietary interest, with its strong ancestral bonds, and offer no protection against possible inflation. Instead they want an annual rent subject to renegotiation every three or five years.

The delegation believes that if Okinawan proposals are disregarded, a severely adverse reaction will develop in the Ryukyus. They assert that moderate political leaders in the Ryukyus are staking their future on the outcome of this issue and that if the mission fails, pro-Communist elements which made sizable electoral gains recently will benefit.

To protect Japan's residual sovereignty over the island, the delegates plan to consult with Tokyo on any political or legal question which may affect the status of the Ryukyus. Japanese Foreign Minister Fujiyama recently expressed to Ambassador MacArthur the hope that the United States Government will consider Ryukyuan wishes concerning the change from lump-sum payment to annual rental. He said that any deterioration of the Okinawan situation would have an immediate effect on the internal Japanese situation and adversely affect US-Japanese relations.

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Cyprus

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Clashes between Greek and Turkish Cypriots continued in various parts of Cyprus on 11 June despite intensive British efforts to control the situation. Governor Foot has stated that security forces will take whatever action is necessary, "however drastic," to bring communal violence to an end. There is general agreement [redacted]

[redacted] that the riots--inspired by Turkish Cypriots, [redacted] are designed to force London to accept eventual partition of the island. Turkish-Cypriot leaders have refused to cooperate with the authorities in restraining their followers, and Radio Ankara continues to beam inflammatory broadcasts to Turkish Cypriots.

In Greece, the press is uniformly hostile to Turkey and condemns both Britain and America for not taking strong action against Ankara. Radio Athens, however, has advised Greek Cypriots to control their emotions. [redacted]

[redacted] How long Grivas will or can restrain his followers if provocations continue, however, is not known, and he has already warned the Turks that his patience is "at an end."

Greek Cypriots are creating a "national defense corps," under central control, which will be used to protect the Greek community from future Turkish forays. The comparatively mild reaction of Athens and the Greek Cypriots to the recent attacks is probably due mainly to realization that further violence would sustain the Turkish contention that the two communities cannot continue to live together.

London has presented new proposals for Cyprus to both Athens and Ankara. These apparently involve a form of communal self-government with neither self-determination nor partition permanently precluded. Many Greek observers see Athens' present appeal to NATO as a test of the value to Greece of its Western alliance and a political crisis for Premier Karamanlis. [redacted]

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